BANK INDONESIA REGULATION

NUMBER 13/ 10 /PBI/2011

CONCERNING

THE AMENDMENT TO BANK INDONESIA REGULATION

NUMBER 19/9/PBI/2010 CONCERNING STATUTORY RESERVE IN RUPIAH AND FOREIGN CURRENCY FOR COMMERCIAL BANKS

BY THE GRACE OF ALMIGHTY GOD

THE GOVERNOR OF BANK INDONESIA,

Considering:

a. whereas the increase of the incoming flow causing the increase of the foreign currency banking liquidity condition significantly;
b. whereas the increase of the incoming flow as referred to in point a is more likely in short period and has an impact to the excess condition of the foreign currency which is able to cause the instability of exchange control as well as the disturbance of the macro economy stability;
c. whereas in order to reduce the instability risk of the exchange control which has the potential to agitate the macro economy stability, strengthening the management of the foreign currency liquidity by bank and the management of foreign capital flow by Bank Indonesia are required;
d. whereas to strengthen the management of foreign currency liquidity by banks and the management of foreign capital by Bank Indonesia, the policy of increasing the statutory reserve in foreign currency is required;
e. whereas to the consideration of which as referred to in point a, point b, point c, and point d, it is needed to amend the stipulation about statutory reserve in rupiah and foreign currency in a Bank Indonesia Regulation;

In view of:

1. Act Number 7 Year 1992 concerning Banking (State Gazette of Republic of Indonesia Year 1992 Number 31, Supplement to State Gazette of the Republic of Indonesia Number 3472) as amended by Act Number 10 Year 1998 (State Gazette of the Republic of Indonesia Year 1998 Number 182, Supplement to State Gazette of the Republic of Indonesia Number 3790);
2. Act Number 23 Year 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Year 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as most recently amended by Act Number 6 Year 2009 concerning the Stipulation of Government Regulation In Lieu of Law Number 2 Year 2008 concerning the Second Amendment to Act Number 23 Year 1999 concerning Bank Indonesia into Act (State Gazette of the Republic of Indonesia Year 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);

HAS DECREED:

To stipulate: BANK INDONESIA REGULATION CONCERNING THE AMENDMENT TO BANK INDONESIA REGULATION NUMBER 12/19/PBI/2010 CONCERNING STATUTORY RESERVE IN RUPIAH AND FOREIGN CURRENCY FOR COMMERCIAL BANKS.

Article I

Several provisions in Bank Indonesia Regulation Number 12/19/PBI/2010 concerning the Statutory Reserve (State Gazette of Republic of Indonesia Year 2010 Number 115, Supplement to State Gazette of the Republic of Indonesia Number 5158), shall be amended as follows:

1. The provisions of Article 4 shall read as follows:

Article 4

1. GWM in foreign currency as referred to Article 2 Paragraph(3) is established at a

rate of 8% (eight percent) of the DPK in foreign currency.

2. The stipulation of the GWM fulfillment in foreign currency as referred to in Paragraph(1) is regulated as follows:
   a. sinceMarch1, 2011 up to May 31, 2011, GWM in foreign currency is established at the rate of 5% (five percent) of the DPK in foreign currency.
   b. since June 1, 2011, GWM in foreign currency is established at the rate of 8% (eight percent) of theDPK in foreign currency.

2. The provisions of Article 18 paragraph (2) shall beamended as attached in the clarification, and the provisions of Article 18 pparagraph (3) shall be amendedso that Article 18 shallread as follows:

Article 18

(1) Banks which violatethe obligation to fulfill of GWM in rupiah as referred in Article 3 shall be subjected to sanction of 125% (one hundred twenty five percent) of 1 (one) day overnight interest rate of JIBOR in rupiah on the violation day, to the lack of GWM in rupiah, for each violation in working day.

(2) Banks which violate the obligation to fulfill GWM in foreign currency as referred to in Article 4 shall be subjected to sanction of 0,04% (zero point zero four percent) per working day, counted from the differences in the daily account balance of the Foreign Currency Demand Deposit recorded in Bank Indonesia accounting system.

(3) The obligatory sanction to compensate as referred to in paragraph (2) shall be paid in rupiah value by using Bank Indonesia middle rate on the violation day.

(4) The sanction as referred to in paragraph (1) is excluded for banks which have incentives of fulfilling the GWM obligatory in rupiah as regulated in Bank Indonesia Regulation about Insentive on the Banking Consolidation, as long as the lack of Primary GWM in rupiah is not more than 1% (one percent) of DPK in rupiah.

Article II

This Bank Indonesia Regulation shall be effective on February 9, 2011.

For the purpose public cognizance, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta
On February 9, 2011
GOVERNOR OF BANK INDONESIA

DARMIN NASUTION

Promulgated in Jakarta
On February 9, 2011

MINISTER OF LAW AND HUMAN RIGHTS OF THE
REPUBLIC OF INDONESIA

PATRIALIS AKBAR

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2011 NUMBER 21
DPNP/DKM

ELUCIDATION

ON

BANK INDONESIA REGULATION

NUMBER: 13/10/PBI/2011

CONCERNING

THE AMENDMENT OF BANK INDONESIA REGULATION

NUMBER 12/19/PBI/2010 CONCERNING STATUTORY RESERVE IN RUPIAH AND FOREIGN CURRENCY FOR COMMERCIAL BANKS

I. GENERAL

Along with the increase of the incoming capital flow, the banking foreign currency liquidity is rising higher than the 2008 global economy crisis. It is seen in the Banks asset position in foreign currency which is higher than it was in 2008. Moreover, the transaction activity in the foreign currency market is also increasing into the level before the 2008 global economy crisis.

That incoming capital flow is far greater than the relatively stable demand which then causes an appreciation in rupiah exchange rate. This condition may reduce Indonesia’s non-oil and gas competitive capacity. In addition, the great incoming capital flow is more likely be in the short period in the Indonesian monetary market instrument. This is going along with the improvement of Indonesia’s macro economy performance and the high monetary instrument result in comparison to other emerging market countries. The short term capital flow is fluctuating and has the potential to cause a great deal of capital to occur if foreign investors change their interest and draw back their investment in the domestic monetary instrument.

Therefore, the increasing foreign currency liquidity should be accompanied by the strengthening of foreign currency liquidity management by commercial banks to fulfill the need of Third Party Fund withdrawal in foreign currency especially in the form of fluctuated portfolio investment. It is also in accordance withBank Indonesia’s efforts to minimalizing the volatility of rupiah exchange value.

In the global financial crisis of 2008, Bank Indonesia lowered the GWM requirement in foreign currency to reduce the tightnessof foreign currency liquidity. That policy made Indonesia’s GWM in foreign currency is viewed as too low and even the lowest in history compared to other countries in the same region and same investment grade (peer group). The low GWM requirement in foreign currency is unable to be an income source when a great exchange crisis happens. Thus, Bank Indonesia needs to raise the GWM requirementin foreign currency to support the management of the incoming foreign capital flow by Bank Indonesia and to strengthen the liquidity management of foreign currency by commercial banks.

Therefore, in consideration of the economy condition, banking liquidity condition nowadays, as well as Bank Indonesia's policy, it is necessary to amend the regulation related to statutory reserve.

II. ARTICLE BY ARTICLE

Article I

Point 1

Article 4

Paragraph (1)

The example of GWM in foreign currency calculation:

Bank A has the average daily total of USD 100.000.000,00 (one hundred million US dollars) DPK in foreign currency in report period time of March 8 to June 15.

GWM in foreign currency for the report period time of June 24up to the end of June is:

8% x USD100.000.000,00 = USD8.000.000,00 (eight million US dollars)

Paragraph (2)

Letter a

Calculation example:

Bank A has the daily total average of USD100.000.000,00 (one hundred million dollars) DPK in foreign currency in report time period of February 16 to February 23. GWM in daily foreign currency for the report period of March 1 to March 7 is:

5% x USD100.000.000,00 = USD5.000.000,00 (five million US dollars).

Letter b

Calculation example:

Bank A has the daily total average of USD100.000.000,00 (one hundred million US dollars) DPK in foreign currency for the report period of May 16 to May 23.

GWM in daily foreign currency for the report period of June 1 to June 7 is:

8% x USD100.000.000,00 = USD8.000.000,00 (eight million US dollars).

Point 2

Article 18

Paragraph (1)

Sanction calculation example:

Bank A has a daily average of Rp55.000.000.000.000,00 (fifty five trillion rupiah) DPK in rupiah since November 8 to November 15, the last position of Bank LDR during the report time of November 8 to November 15 is 105% (one hundred and five percent) and the Bank KPMM position at the end of June is 12% (twelve percent).

Daily GWM in rupiah which needs to be fulfilled by Bank A for the report period of November 24 to the end of November is:

a. Primary GWM in rupiah is 8% (eight percent) of DPK in rupiah, that is Rp.4.400.000.000.000,00 (four trillion four hundred billion rupiahs);
b. Secondary GWM in rupiah is 2.5% (two point five percent) of DPK in rupiah which is Rp.1.375.000.000.000,00 (one trillionthree hundred and seventy five billion rupiahs); and
c. GWM LDR in rupiah is 1% (one percent) of DPK in rupiah, which is Rp.550.000.000.000.000,00 (five

hundred fifty five trillion rupiahs), according to the calculation example explanatory Article 11 letter c.

Primary GWM in rupiah and GWM LDR in rupiah is 9% (nine percent) of DPK in rupiah which is Rp.4.950.000.000.000,00 (four trillion nine hundred and fifty billion rupiahs) has to be fulfilled in the form of account Rupiah demand deposit atBank Indonesia.

Meanwhile, the 2.5% Secondary GWM of DPK in rupiah, which is Rp.1.375.000.000.000,00 (one trillion three hundred seventy five billion rupiahs), should be fulfilled in the form of SBI, SUN, SBSN, and/or Excess Reserve.

Example 1:

In November 24, Bank A Rupiah demand deposit Account balance atBank Indonesia is Rp.4.500.000.000.000,00 (four trillion five hundred billion rupiahs) and bank A has SBI, SUN, and SBSN in the amount of Rp.1.500.000.000.000,00 (one trillion and five hundred billion rupiahs) that there is ashortage in fulfilling the Primary GWM and LDR GWMto the sum of Rp.450.000.000.000,00 (four hundred and fifty trillion rupiahs).

The lack of the primary GWM and LDR GWMcan not be fulfilled from the excess of Secondary GWM.

JIBOR Interest Rate in rupiah in November 24 is 6% (six percent).

The sanction calculation for Bank A's violation of GWM in rupiah payment obligation on November 24 is as following:

$$\frac{\text{The lack of GWM in rupiah x 125\% JIBOR interest rate in rupiah x working days}}{360}$$

that is

$$\frac{\text{Rp.450.000.000.000,00 x 125\% x 6\% x 1}}{360}$$

In addition to that, on November 24 Bank A shall not receive any interest due to the incapability of fulfilling all of the GWM in rupiah obligations (the lack of Rupiah demand deposit balance to fulfill Primary GWM and LDR GWM).

Example 2:

On November 24, Bank A's Rupiah demand deposit Account balance atBank Indonesia is Rp5.100.000.000.000,00 (five trillion one hundred billion rupiahs) and Bank A has SBI, SUN, and SBSN in the amount of Rp1.000.000.000.000,00 (one trillion rupiahs) so that there is a lack of Secondary GWM obligation as much as Rp375.000.000.000,00 (three hundred seventy five billion rupiahs).

Bank A has Rp150.000.000.000,00 (one hundred and fifty billion rupiahs) Excess Reserve which is able to fulfill the lack of Secondary GWM in rupiah, therefore, the bank still needs to fulfill Secondary GWM as much as:

Rp 375.000.000.000,00 – Rp 150.000.000.000,00 = Rp 225.000.000.000,00

JIBOR Interest Rate in rupiah on November 24 is 6% (six percent).

The sanction calculation of violating GWM in rupiah is:

$$\frac{\text{The lack of GWM in rupiah x 125\% x 6\% x 1}}{360}$$

In addition to that on November 24 Bank A shall not receive any interest due to the incapability to fulfill all GWM in rupiah obligations (the lack of SBI, SUN, SBSN and/or Excess Reserve to fulfill the Secondary GWM obligation).

Example 3:

On November 24, Bank A's Rupiah demand deposit Account balance to Bank Indonesia is Rp4.500.000.000,00 (four trillion five hundred billion rupiahs) and Bank A owns Rp1.000.000.000.000 (one trillion rupiahs) SBI, SUN, and SBSN so there is a lack of GWM in rupiah fulfillment in the amount of Rp825.000.000.000,00 (eight hundred twenty five billion rupiahs) which consists of the lack in fulfilling Primary GWM in rupiah and LDR GWM in rupiah in the amount of Rp450.000.000.000,00 (four hundred and fifty billion rupiahs) and the lack of Secondary GWM in rupiah fulfillment in the amount of Rp375.000.000.000,00 (three hundred seventy five billion rupiahs).

JIBOR interest rate in rupiah on November 24 is 6% (six percent).

The sanction calculation for Bank A's violation of GWM in rupiah payment obligation is as following:

$$\frac{\text{The lack of GWM in rupiah x 125\% x JIBOR interest rate in rupiah x working days}}{360}$$

that is

$$\frac{\text{Rp825.000.000.000,00 x 125\% x 6\% x 1}}{360}$$

In addition to that on November 24 Bank A shall not receive any interest due to the incapability to fulfill all GWM in rupiah obligations (the lack of SBI, SUN, SBSN and/or Excess Reserve to fulfill the Secondary GWM obligation).

Paragraph (2)

Calculation example:

Bank A has a daily total average of DPK in foreign currency in report period of June 8 to June 15 in the amount of USD100.000.000,00 (one hundred million US dollars).

GWM in daily foreign currency for report period from June 24 to the end of June is:

8% x USD100.000.000,00 = USD8.000.000,00 (eight million US dollars).

Bank A's Foreign Currency demand deposit Account balance atBank Indonesia on June 24 is in the amount of

USD7.900.000,00 (seven million nine hundred thousand US dollars) so there is a lack fulfillment of GWM in the amount of USD100.000,00 (one hundred thousand US dollars).

The sanction calculation for Bank A's violation of GWM in foreign currency payment obligation is as follows:

8% x USD100.000.000,00 = USD 8.000.000,00 (eight million US dollars).

Bank A's Foreign Currency Demand Deposit Account balance atBank Indonesia on June 24 is USD7.900.000,00 (seven million nine hundred thousand US dollars) so there is a lack in GWM fulfillment in the amount of USD 100.000,00 (one hundred thousand US dollars).

The sanction calculation for Bank A's violation of GWM in foreign currency payment obligation on June 24 is as follows:

0,04% x (USD8.000.000,00 – USD7.900.000,00) = USD40,00 (forty US dollars).

Paragraph (3)

What referred to as middle rate is sell rate plus buy rate divided by two.

With the USD40,00 (forty US dollars) obligation sanction as referred to the example in Paragraph (2) and the middle rate assumption of Bank Indonesia in the violation day is Rp.9.000,00/USD (nine thousand rupiahs per US dollar), therefore the obligation payment sanction is:

40 x Rp9.000,00 = Rp360.000,00 (three hundred sixty thousand rupiahs).

Paragraph (4)

The laxity in fulfilling GWM in rupiah to common banks which has incentives due to banking consolidation is in order to fulfill the Primary GWM in rupiah in accordance to todays regulation becomes as less as 7% (seven percent) of DPK in rupiah.

Article II

Self-explanatory.

SUPPLEMENT TO STATE GAZETTE OF REPUBLIC OF INDONESIA NUMBER 5200